

PUBLIC DISCLOSURE

August 3, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Sallie Mae Bank
Certificate Number: 58177

175 S. West Temple, Suite 600
Salt Lake City, Utah 84101

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
San Francisco Regional Office

25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

INSTITUTION RATING	1
DESCRIPTION OF INSTITUTION	3
DESCRIPTION OF ASSESSMENT AREA	4
SCOPE OF EVALUATION	7
CONCLUSIONS ON PERFORMANCE CRITERIA.....	8
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW	14
GLOSSARY	15

INSTITUTION RATING

INSTITUTION’S CRA RATING: This institution is rated **Outstanding**.

An institution in this group has an outstanding record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income (LMI) neighborhoods, in a manner consistent with its resources and capabilities.

Sallie Mae Bank’s (SMB) CRA performance demonstrates an outstanding record of helping to meet the credit needs of its AA outlined by two approved CRA Strategic Plans (Plans) that were in place during the evaluation period. SMB’s two Plans create a predetermined number of points that SMB will receive based on its annual performance under each goal of the plan year. The maximum number of points SMB may receive is 24 and the bank does not receive any points for a performance that receives a lower score than “Satisfactory.” The following table describes the points possible under the two Plan goals for “Outstanding” and “Satisfactory” performances.

Performance Goals Methodology		
Strategic Plan Goals	Annual Points Per Goal Performance	
	<i>Outstanding</i>	<i>Satisfactory</i>
Assessment Area Community Development Loans and Investments Cumulative Total	4.5	3
Assessment Area Community Development Loans and Investments New Activities	3	2
Regional Area Community Development Loans and Investments Cumulative Total	3	2
Regional Area Community Development Loans and Investments New Activities	3	2
Grants and Scholarships	3	2
Community Development Services	3	2
Consumer Lending – Assessment Area Concentration	1.5	1
Consumer Lending – Geographic Distribution	1.5	1
Consumer Lending – Borrower Profile	1.5	1

Source SMB’s Plans One and Two

The two Plans also state the overall CRA Rating is based on the annual point total as illustrated in the following table.

Composite Rating Based on Points	
Composite Rating	Points Required
Outstanding	20 or more
Satisfactory	11-19
Less than Satisfactory	10 or fewer
<i>Source: SMB’s Plans One and Two</i>	

PLAN PERFORMANCE

SMB's CRA performance under its two Plans depicts an outstanding record of helping to meet the credit needs of its AA, as required under both Plans, in a manner consistent with its resources and capabilities. The following support this rating:

- SMB exceeded the outstanding threshold for its new and cumulative community development (CD) loans and investments goals in the AA and regional area in the three plan years evaluated.
- SMB exceeded the outstanding threshold for its grants and scholarship goals in the three plan years evaluated.
- SMB exceeded the outstanding threshold for its CD service hour goals in the three plan years evaluated.
- SMB exceeded the outstanding threshold for its consumer lending AA concentration in the three plan years evaluated.
- SMB exceed the satisfactory threshold for its consumer loan geographic distribution and borrower profile goals in the three plan years evaluated.
- SMB scored 23 points in each of the three plan years evaluated for an outstanding rating.

DESCRIPTION OF INSTITUTION

SMB is a Utah-chartered industrial bank headquartered in Salt Lake City, Utah, and is the largest originator of private student loans in the country. SMB is wholly-owned by Sallie Mae Corporation. SMB's affiliates include SMB Education Credit Finance Corporation, The Sallie Mae Fund, Inc., and Upromise, Inc. In addition, SMB has five subsidiaries, and no merger or acquisition activity has taken place since the last evaluation. The bank received an "Outstanding" CRA Rating at its previous Federal Deposit Insurance Corporation (FDIC) CRA Performance Evaluation, dated August 14, 2017, based on Interagency Strategic Plan Examination Procedures and Large Bank Procedures.

SMB markets its private student loans throughout the United States via a sales force, college financial aid offices, direct mail, and the internet. Private student loans are made to students and parents to fund two-year, four-year, and graduate school college tuition/room and board. Private student loans are also granted to students and parents to fund non-degree secondary education, including community college, part-time, and technical and trade school programs. Unsecured personal loans were offered during the review period, but the bank stopped offering this product in December 2019. SMB began offering credit card products in mid-2019.

The bank provides select banking products and services including savings, money market, and certificate of deposit accounts. SMB also offers electronic services, such as online account access and banking for making deposits and transfers. However, SMB does not operate any traditional branch locations and does not have deposit-taking abilities through bank tellers or automated teller machines. The bank did not open or close any branch offices during the review period.

According to the June 30, 2020 Consolidated Reports of Condition and Income (Call Report), the bank's assets totaled \$30.4 billion, total loans of \$23.1 billion, and total deposits of \$23.7 billion. The following table depicts SMB's June 30, 2020, loan portfolio composition and primary business focus of consumer loans.

Loan Portfolio Distribution as of 6/30/2020		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	0	0.0
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	0	0.0
Secured by Multi-Family (5 or more) Residential Properties	0	0.0
Secured by Non-farm Non-residential Properties	0	0.0
Agricultural Production and Other Loans to Farmers	0	0.0
Commercial and Industrial Loans	0	0.0
Consumer	23,093,253	99.9
Obligations of States and Political Subdivisions in the United States	0	0.0
Other Loans	16,584	0.1
Lease Financing Receivables (net of unearned income)	0	0.0
Gross Loans	23,109,837	100.0
Less: Unearned Income	0	0
Total Loans and Leases	23,109,837	100.0
<i>Source: Call Report.</i>		

Examiners did not identify any legal or financial impediments that would prohibit the bank from meeting the credit needs of its AA.

DESCRIPTION OF ASSESSMENT AREA

SMB delineated the following counties and respective Metropolitan Statistical Areas (MSAs) for its AA: Salt Lake and Tooele Counties within the Salt Lake City, Utah MSA #41620; Davis and Weber Counties within the Ogden-Clearfield, Utah MSA #36260; and Utah County within the Provo-Orem, Utah MSA #39340. These three MSAs comprise the Salt Lake City-Provo-Orem, Utah Combined Statistical Area (CSA). This AA remains unchanged since the previous evaluation. The AA meets the CRA regulatory requirements and does not arbitrarily exclude any LMI neighborhoods.

Economic and Demographic Data

The following table shows select demographic data for bank's AA within the Salt Lake City-Provo-Orem, Utah CSA including data on the population, housing stock, businesses, farms, housing values, rents, and poverty levels.

Demographic Information of the Assessment Area						
Assessment Area: SMB AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	455	5.1	21.1	42.9	29.9	1.1
Population by Geography	2,253,864	3.8	19.8	46.0	29.9	0.4
Housing Units by Geography	737,834	3.9	22.1	45.4	28.2	0.4
Owner-Occupied Units by Geography	479,565	1.3	15.7	48.5	34.3	0.2
Occupied Rental Units by Geography	217,469	9.5	35.3	39.7	14.8	0.7
Vacant Units by Geography	40,800	5.0	27.6	39.2	28.2	0.1
Businesses by Geography	229,318	3.8	17.5	42.6	35.6	0.5
Farms by Geography	4,237	2.5	15.2	47.0	35.1	0.2
Family Distribution by Income Level	523,009	19.0	18.1	22.7	40.1	0.0
Household Distribution by Income Level	697,034	21.7	16.8	21.1	40.4	0.0
Median Family Income MSA - #36260 Ogden-Clearfield, UT MSA		\$71,742	Median Housing Value			\$230,725
Median Family Income MSA - #39340 Provo-Orem, UT MSA		\$67,248	Median Gross Rent			\$937
Median Family Income MSA - #41620 Salt Lake City, UT MSA		\$71,849	Families Below Poverty Level			8.9%
Source: 2015 American Community Survey Census and 2020 D&B Data. Due to rounding, totals may not equal 100.0 percent. (*) The NA category consists of geographies that have not been assigned an income classification.						

The following table shows unemployment trends in the AA in comparison with the state and national unemployment levels. As shown in the table, the unemployment rates have steeply risen during 2020 as a result of the global pandemic, referred to as COVID-19. The Salt Lake City-Provo-Ogden CSA has seen a significant increase in unemployment due to COVID-19, but at a lesser rate in comparison to the national level.

Unemployment Rates				
Area	January 2018	January 2019	January 2020	April 2020
	%	%	%	%
Salt Lake City-Provo-Ogden CSA	3.1	3.0	2.6	10.3
State of Utah	3.1	2.9	2.5	9.7
National Average	4.1	4.0	3.6	14.7
<i>Source: Bureau of Labor Statistics.</i>				

According to the March 2020 Moody's Analytics Precip Reports, the Salt Lake City MSA, Provo-Orem MSA, and Ogden-Clearfield MSA have experienced continued economic growth, job growth, and low unemployment rates during the majority of the evaluation period. However, all three MSAs were significantly impacted by COVID-19 and are exposed to a sudden drop in economic

activity. Retail, leisure, and hospitality jobs are expected to be impacted the most in the bank's AA. The AA is experiencing an appreciation of residential real estate values, the technology industry is expanding in both Utah and Salt Lake Counties, and the AA has below-average business costs in comparison to national levels. Major employers include the University of Utah, Brigham Young University, Hill Air Force Base, and Intermountain Health Care Inc.

Competition

SMB is a nationwide lender, and its AA is a highly competitive market that includes a number of large national and regional financial institutions. According to the June 30, 2019, FDIC Summary of Deposits Market Share data, there were 47 financial institutions operating 371 branches within the AA. Of these institutions, SMB ranked 7th with a 3.8 percent deposit market share. Large financial institutions operating branches in the area include the following: Ally Bank; Morgan Stanley Bank National Association; American Express National Bank; Synchrony Bank; and UBS Bank USA. Together, these 5 institutions have a 74.2 percent deposit market share in the AA. Many of these large financial institutions are operating under Plans, as well as being designated limited purpose and wholesale institutions for CRA purposes. These institutions provide a high level of competition for the extension of CD investments and services within the AA.

Community Contact

As part of the evaluation process, examiners contact third parties active in the AA to assist in identifying the credit and CD needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and CD opportunities are available.

Examiners contacted two organizations that serve communities in SMB's AA. The economic development contact indicated that due to COVID-19, businesses continue to struggle and need access to funds. Many small and corporate businesses have permanently shut down and have no plans to reopen. The impact of COVID-19 has hit local businesses hard, and this contact stated that supporting small businesses is an opportunity for local financial institutions.

The affordable housing contact indicated that many individuals lost their jobs due to COVID-19 and housing remains a concern in the community. Housing prices increased substantially over the past few years in Utah. Local organizations are in the process of developing affordable housing projects in Salt Lake and Utah Counties. However, the contact expects that affordable housing will remain a CD need given the rising home prices and COVID-19 impact on the local economy.

Credit and Community Development Needs and Opportunities

Considering information from the community contacts, needs assessments, and demographic and economic data, examiners determined that affordable housing, economic development, and community services for LMI individuals are the primary needs of the community.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated August 14, 2017, to the current evaluation dated August 3, 2020. Examiners relied on bank records, public financial information, demographic and economic data, and information obtained from community contacts.

Examiners used the Interagency Procedures for Institutions with Strategic Plans to evaluate SMB's CRA performance. SMB operated under two FDIC-approved Plans (Plan One and Two) for this CRA Evaluation review period. The first Plan, referred to as Plan One, was effective from the previous evaluation through June 30, 2019. This CRA Evaluation compares the bank's performance in 2017-2018 and 2018-2019 to Plan One's measurable goals. The second Plan, referred to as Plan Two, was effective July 1, 2019. The FDIC approved an amendment to Plan Two on June 16, 2020, due to the impact of COVID-19 on the AA, with an effective date of July 1, 2019. This CRA Evaluation compares the bank's performance in 2019-2020 to Plan Two's amended measurable goals. Each plan year cycle starts on July 1 and ends on June 30.

Activities Reviewed

The evaluation reflects SMB's CRA performance from July 1, 2017, through June 30, 2020. The following bank activities were reviewed under the three Plan years:

- New and cumulative total CD investments and loans in the AA;
- New and cumulative total CD investments and loans in the regional area;
- Grants and scholarships;
- CD services;
- AA concentration of consumer loans;
- Geographic distribution of consumer loans; and
- Borrower profile of consumer loans.

This evaluation was performed remotely due to the implications of the COVID-19 pandemic. Examiners relied upon records provided by SMB. Examiners evaluated SMB's CRA performance with the consideration of the following factors:

- Current economic environment;
- Demographic characteristics of the bank's AA;
- Opportunities and needs for consumer lending;
- CD needs and opportunities for lending, investments, and services;
- SMB's products, services, markets and business strategies; and
- SMB's financial resources and constraints.

For purposes of evaluating the Plan's measurable goals, management provided data on consumer loans, CD loans, qualified investments, grants and scholarships, and CD services during the evaluation period from July 1, 2017, through June 30, 2020.

CONCLUSIONS ON PERFORMANCE CRITERIA

SMB's CRA performance under the Plans reflects an Outstanding performance in helping to meet the credit needs of the designated AA in a manner consistent with the measureable goals established in the two Plans that were in place during the evaluation period. The following information relates to the measurable performance goals established by the two Plans, which covers the timeframe from July 1, 2017, to June 30, 2020. This time period covers three plan years.

Community Development Lending and Investments

The bank's level of CD loans and investments met the established minimum goals for an "Outstanding" performance for Plan One and Two. SMB's Plan One and Two established performance goals for CD loans and qualified investments in both the AA and in the broader regional area. The Plans have a combined cumulative CD lending and investment goals, which include prior period investments still on the bank's books at the end of the plan year, as well as new CD loans and investments extended or made during each plan year. The Plans have separate cumulative CD loan and investment goals made within the AA and within the broader regional area. Furthermore, the Plans have separate goals that consider new CD loans and investments made during each plan year within the AA and within the regional area. Plan One and Two state that the average assets are calculated using line nine of Schedule RC-K of SMB's four Call Reports from the previous calendar year.

Community Development Lending and Investment goals within the Assessment Area

The Plans established cumulative CD lending and investment goals, as well as new CD lending and investment goals within the AA. The following table shows SMB's actual performance compared to the Plans goals for total cumulative CD loans and investments in the AA.

AA Cumulative Total CD Loans and Investments					
Plan Year	Bank Established Goals		Bank Performance		
	<i>Satisfactory</i>	<i>Outstanding</i>	Loans/Investments Total (000s)	Average Assets (000s)	Actual Performance
2017-2018	0.72%	0.87%	\$204,697	\$18,185,043	1.13%
2018-2019	0.72%	0.87%	\$264,431	\$21,855,724	1.21%
2019-2020	0.90%	1.13%	\$349,965	\$26,529,455	1.32%
<i>Source: SMB's Records and Plans.</i>					

As mentioned above, the bank also has separate goals for new CD lending and investments made within the bank's AA. The following table shows SMB's actual performance compared to Plan One and Two goals for new CD lending and investments in the AA.

AA New CD Loans and Investments					
Plan Year	Bank Established Goals		Bank Performance		
	<i>Satisfactory</i>	<i>Outstanding</i>	Loans/Investments Total (000s)	Average Assets (000s)	Actual Performance
2017-2018	0.29%	0.35%	\$66,118	\$18,185,043	0.36%
2018-2019	0.29%	0.35%	\$121,111	\$21,855,724	0.55%
2019-2020	0.31%	0.38%	\$204,320	\$26,529,455	0.77%
<i>Source: SMB Records and Plans.</i>					

SMB purchased 4 mortgage back securities (MBSs) totaling \$41.1 million and renewed a credit line for \$25.0 million to a regional nonprofit affordable housing corporation (AHC) in the 2017-2018 plan year. SMB purchased 17 MBSs totaling \$91.1 million and renewed a credit line for \$30.0 million to AHC in the 2018-2019 plan year. SMB purchased 19 MBS totaling \$169.3 million and a credit line for \$35.0 million to AHC in the 2019-2020 plan year. All the MBS purchases and AHC funds provided affordable housing to LMI families and individuals within the bank's AA.

Community Development Lending and Investment goals within the Regional Area

The Plans established cumulative CD lending and investment goals, as well as new CD lending and investment goals within the regional area. The regional area is defined under both Plans as Arizona, Colorado, Idaho, Nevada, New Mexico, Wyoming, and Utah. The following table shows SMB's actual performance compared to Plan One and Two goals for total cumulative CD loans and investments in the regional area.

Regional Area Cumulative Total CD Loans and Investments					
Plan Year	Bank Established Goals		Bank Performance		
	<i>Satisfactory</i>	<i>Outstanding</i>	Loans/Investments Total (000s)	Average Assets (000s)	Actual Performance
2017-2018	1.20%	1.45%	\$282,801	\$18,185,043	1.56%
2018-2019	1.20%	1.45%	\$346,148	\$21,855,724	1.58%
2019-2020	1.25%	1.56%	\$421,804	\$26,529,455	1.59%
<i>Source: SMB Records and Plans.</i>					

SMB also has separate goals for new CD lending and investments made within the regional area. The following table shows SMB's actual performance compared to Plan One and Two goals for new CD lending and investments activities in the regional area.

Regional Area New CD Loans and Investments					
Plan Year	Bank Established Goals		Bank Performance		
	<i>Satisfactory</i>	<i>Outstanding</i>	Loans/Investments Total (000s)	Average Assets (000s)	Actual Performance
2017-2018	0.48%	0.58%	\$114,118	\$18,185,043	0.63%
2018-2019	0.48%	0.58%	\$141,111	\$21,855,724	0.65%
2019-2020	0.43%	0.53%	\$204,320	\$26,529,455	0.77%
<i>Source: SMB Records and Plans.</i>					

SMB purchased 3 investments totaling \$38.0 million in a Low Income Housing Tax Credit (LIHTC) and made 1 CD Loan totaling \$10.0 million to an organization that help revitalize LMI neighborhoods by building new affordable housing units in the 2017-2018 plan year. These qualified CD investments and loans served the regional area. SMB made CD investments and loans totaling \$66.1 million in the AA as discussed above.

SMB purchased 1 investment totaling \$15.0 million in a LIHTC and 1 investment for \$5.0 million to Utah housing corporation in the 2018-2019 plan year that served the bank's regional area. SMB made CD investments and loans totaling \$121.1 million in the AA as discussed above.

All of the new CD investments or loans in the broader regional area in the 2019-2020 plan year were located in Utah. SMB originated a total of \$204.3 million of CD investment and lending activities during the 2019-2020 plan year inside the bank's AA. All new CD investments and loans during the review period in the regional area were affordable housing activities.

Community Development Grants and Scholarships

SMB exceeded the established goals for an "Outstanding" performance for its grants to CD organizations and educational scholarships to LMI individuals. The following table shows SMB's actual performance compared to Plan One and Two goals for CD grants and scholarships.

CD Grants and Scholarships			
Plan Year	Bank Established Goals		Bank Performance: Grants and Scholarships Total
	<i>Satisfactory</i>	<i>Outstanding</i>	
2017-2018	\$175,000	\$210,000	\$231,666
2018-2019	\$210,000	\$250,000	\$250,166
2019-2020	\$250,000	\$300,000	\$501,000
<i>Source: SMB Records and Plans.</i>			

Below are notable examples of CD grants and scholarships SMB made during the period reviewed:

- SMB donated \$5,000 in plan year 2017-2018, \$5,000 in plan year 2018-2019, and \$5,000 in plan year 2019-2020 to an organization that helps children living in poverty. This organization provides educational opportunities and financial resources to low-income mothers to help them earn a living wage.
- SMB awarded scholarships for a total of \$110,000 in plan year 2017-2018, \$82,500 in plan year 2018-2019, and \$110,000 in plan year 2019-2020 to LMI students attending college inside its AA. These scholarships were given to LMI individuals that demonstrated a financial need.

- SMB donated \$5,500 in plan year 2018-2019, and \$5,000 in plan year 2019-2020 to an organization that helps revitalize LMI neighborhoods and build affordable housing for LMI families throughout Utah.

Community Development Services

SMB exceeded the established goals for an “Outstanding” performance related to CD services. The bank set a goal for each plan year of CD service hours based on the number of full-time employees (FTE) that are based in Utah. In March 2020, the Utah Governor issued a Stay Home directive, which negatively impacted the bank’s outreach program for CD service hour opportunities. Since the original goals for the 2019-2020 plan year were impacted by COVID-19, the bank filed an amended Plan with the FDIC to reflect fewer hours per FTE. The FDIC approved the Plan Two amendment. The following table shows SMB’s Plan One and Two goals.

CD Service Hours			
Plan Year	# of FTEs (Utah- Based)	Satisfactory Goals	Outstanding Goals
2017-2018	37	# of FTEs x 11	# of FTEs x 14
2018-2019	41	# of FTEs x 11	# of FTEs x 14
2019-2020	47	# of FTEs x 4	# of FTEs x 4.75
<i>Source: SMB’s Plans.</i>			

The following table shows SMB’s performance compared to the bank’s goals.

CD Service Hours			
Plan Year	Bank Established Goals		Bank Performance: Qualified Service Hours
	Satisfactory	Outstanding	
2017-2018	407	518	540
2018-2019	451	574	608
2019-2020	188	223	259
<i>Source: SMB Records and Plans.</i>			

Below are notable examples of CD service activities the bank provided during the period reviewed.

- An SMB employee served as a board member of an organization dedicated to reducing the number of children living in poverty. This organization helps low-income women, primarily single mothers, build better futures for themselves and their children through long-term employment. This employee contributed 13 hours in the 2017-2018 plan year, 40 hours in the 2018-2019 plan year, and 41 hours in the 2019-2020 plan year.
- Two SMB employees contributed a total of 17 hours in 2017-2018, 32 hours in 2018-2019, and 44 hours in 2019-2020 to an organization that helps revitalize LMI communities by

providing affordable housing to those in need throughout the AA. One employee serves as a Board member and another employee provides financial assistance to this organization.

- SMB employees used their financial expertise to teach elementary-aged students how to earn, save, and budget personal funds through in-person financial exercises provided to the children. The majority of the students participate in the National School Lunch Program for free- or reduced-lunch. SMB employees volunteered 432 hours in the 2017-2018 plan year, 469 hours in the 2018-2019 plan year, and 106 hours in the 2019-2020 plan year to this CD service activity.

Consumer Lending

Assessment Area Concentration

SMB met the established goals for an “Outstanding” performance related to consumer loan originations by dollar volume within the AA relative to SMB’s total dollar volume of originations nationwide during all three plan years. The following table shows SMB’s actual performance compared to the Plan One and Two goals for new originations.

Consumer Lending – AA Concentration			
Plan Year	Bank Established Goals		Bank Performance
	<i>Satisfactory</i>	<i>Outstanding</i>	
2017-2018	0.21%	0.25%	0.30%
2018-2019	0.21%	0.25%	0.36%
2019-2020	0.25%	0.30%	0.43%
<i>Source: SMB Records Plans.</i>			

- SMB’s consumer loan originations total \$15.1 million in the AA and \$5.1 billion nationwide in the 2017-2018 plan year.
- SMB’s consumer loan originations total \$21.8 million in the AA and \$6.1 billion nationwide in the 2018-2019 plan year.
- SMB’s consumer loan originations total \$25.5 million in the AA and \$6.0 billion nationwide in the 2019-2020 plan year.

Geographic Distribution

SMB met the established goals for a “Satisfactory” performance related to the geographic distribution of consumer loan originations to borrowers located within LMI census tracts in its AA. The following table shows SMB’s actual performance compared to Plan One and Two goals for consumer lending geographic distribution.

Consumer Lending – Geographic Distribution			
Plan Year	Bank Established Goals		Bank Performance
	<i>Satisfactory</i>	<i>Outstanding</i>	
2017-2018	21.0%	25.0%	23.5%
2018-2019	21.0%	25.0%	22.0%
2019-2020	21.0%	25.0%	23.1%
<i>Source: SMB Records and SMB's Strategic Plans</i>			

- In the 2017-2018 plan year, SMB originated 303 consumer loans in LMI geographies in the bank's AA. SMB originated 1,291 total consumer loans in the AA.
- In the 2018-2019 plan year, SMB originated 350 consumer loans in LMI geographies in the bank's AA. SMB originated 1,590 total consumer loans in the AA.
- In the 2019-2020 plan year, SMB originated 419 consumer loans in LMI geographies in the bank's AA. SMB originated 1,812 total consumer loans in the AA.

Borrower Profile

SMB met the established goals for a “Satisfactory” performance related to the penetration of consumer loan originations to LMI borrowers in its AA. The following table shows SMB's actual performance compared to the Plan One and Two goals for consumer loan penetration among LMI borrowers.

Consumer Lending – Borrower Profile			
Plan Year	Bank Established Goals		Bank Performance
	<i>Satisfactory</i>	<i>Outstanding</i>	
2017-2018	38.0%	45.0%	42.4%
2018-2019	38.0%	45.0%	42.6%
2019-2020	38.0%	46.0%	43.0%
<i>Source: SMB Records and Plans.</i>			

- In the 2017-2018 plan year, SMB originated 548 consumer loans to LMI borrowers in the bank's AA. SMB originated 1,291 total consumer loans in the AA.
- In the 2018-2019 plan year, SMB originated 677 consumer loans to LMI borrowers in the bank's AA. SMB originated 1,590 total consumer loans in the AA.
- In the 2019-2020 plan year, SMB originated 780 consumer loans to LMI borrowers in the bank's AA. SMB originated 1,812 total consumer loans in the AA.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional

financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or

- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.